

CORRECTED FISCAL NOTE

SB 3637 – HB 3459

February 25, 2008

SUMMARY OF BILL: Authorizes non-profit organizations and public schools to engage in four temporary sales periods per year without being considered a business for tax purposes.

ESTIMATED FISCAL IMPACT:

On January 22, 2008, we issued a fiscal note for this bill indicating a decrease of state revenue of \$320,000 per year and a decrease of local government revenue of \$103,000 per year. Based on additional information from the Department of Revenue and the Secretary of State, the fiscal impact of this bill is estimated as follows:

(CORRECTED)

Decrease State Revenue - \$846,100

Decrease Local Revenue - \$272,000

Assumptions:

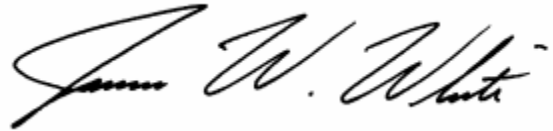
- This bill states that non-profit organizations and public schools which engage in four (4) or more fundraising events during a calendar year are considered to be engaging in occasional and isolated sales during the first three (3) events. The bill then requires that the fifth (5) and subsequent sales be considered sales at retail. For the purpose of this fiscal note, it is assumed that a total of four temporary sales periods are authorized by this bill.
- Non-profit organizations and public schools are currently authorized to conduct two temporary sales periods per year under T.C.A. 67-6-102 (6)(B).
- Based on information obtained from the website of the Secretary of State (SOS) on charitable organizations, there are approximately 5,400 charitable organizations authorized to operate in Tennessee (approximately 4,000 are registered with the SOS; approximately 1,400 are exempt from registration as a result of receiving less than \$30,000 per year from public donations, grants, etc.).

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- There were 1,710 public schools in the state during FY06-07.
- 100% take advantage of two additional temporary sales periods per year.
- Sales are estimated to average \$850 per event.
- Sales for two additional temporary sales periods are estimated to be \$12,087,000 (7,110 entities x 2 events x \$850 per event = \$12,087,000).
- The current state sales tax rate is 7.00%
- The local option sales tax rate is estimated to average 2.25%.
- The decrease in state revenue is estimated to be \$846,100 ($\$12,087,000 \times 7.00\% = \$846,090$) per year.
- The decrease in local government revenue is estimated to be \$272,000 ($\$12,087,000 \times 2.25\% = \$271,958$) per year.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" and last name "White" clearly distinguishable.

James W. White, Executive Director

/rnc